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JUNE 2014
VOL 53, ISSUE 6

ON THE COVER
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Landscape Management

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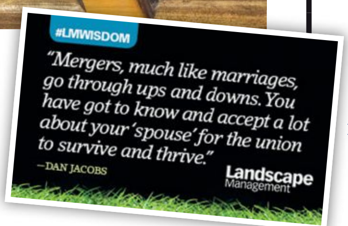
ICYMI: *Landscape Management* nabbed 11 honors at the 25th annual Turf & Ornamental Communicators Association (TOCA) meeting, held May 5 to 8 in New Orleans. View the full list of honors at **buff.ly/RL48U7**.



#LMWISDOM: We rolled out a new social media campaign, pulling quotes from articles in our archives and giving you the link to the original story. Spread the snippets of wisdom with your own followers using the hashtag #LMWISDOM. Read the article this quote references here: **buff.ly/1gnl3rl**

Facebook Feature
QUESTION OF THE WEEK

Equipment purchasing—buy or lease?

» **Nathan Appleby:** Buy with cash. Rent as needed. Stay out of debt.

» **Jason Cupp:** It all depends on the equipment, the company, the cash flows, the ROI, the terms of the purchase vs. lease vs. cash and the beginning and end value…

» **Derek Belden:** Leasing commercial trucks makes sense when you are putting a lot of miles on it in a short time.

» **Adam Gunn:** Purchase with a buy-out option.


Landscape Management magazine
Posted by Marisa Palmieri Shugrue [?] · May 19 · Edited

Question of the Week: Equipment purchasing—buy or lease?

Like · Comment · Share

Jamie Julia Keyes, Cody Rosenbum, Derek Belden and 10 others like this. Top Comments

Write a comment...

Nathan Appleby Buy with cash. Rent as needed. Stay out of debt.
Unlike · Reply · 12 · May 19 at 9:13pm

Dovid Margolis Buy
Unlike · Reply · 5 · May 19 at 8:27pm

Tim Lollis Buy
Unlike · Reply · 4 · May 19 at 8:27pm

Jason Cupp It all depends on the equipment, the company, the cash flows, the ROI, the terms of purchase vs. lease vs. cash, and the beginning and end value... It's not that easy, unfortunately!
Unlike · Reply · 3 · May 20 at 11:05am

Nathan Patnaude Depends on piece. Size terms etc
Unlike · Reply · 3 · May 19 at 8:41pm

Joseph Harden Buy
Unlike · Reply · 2 · May 19 at 10:07pm

Ray Newton Buy. Cash
Unlike · Reply · 2 · May 19 at 9:19pm

Alex Stefan Buy
Unlike · Reply · 2 · May 19 at 8:39pm

Quentin Balliviero Buy gravely's and Redmax's
Unlike · Reply · 2 · May 19 at 8:37pm

Russell David Cooper Both, just depends on the equipment...
Unlike · Reply · 1 · May 20 at 11:44am

Jacob Cammack Buy right off the show room floor
Like · Reply · 1 · May 20 at 7:51am

Derek Belden Leasing commercial trucks makes sense when you are putting a lot of miles on it in a short time. Commercially leasing makes sense sometimes privately never
Unlike · Reply · 1 · May 20 at 6:43am

Landscape Management

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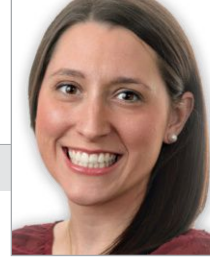

Guided learning

It's been said many times that there are no shortcuts to success. Yet, it's graduation season, a time when universities and high schools (heck, even kindergartens) parade in well-known speakers to impart wisdom upon their graduates. Many of these speeches draw upon the life experiences of the presenter and offer knowledge from a learn-from-my-mistakes perspective. After all, isn't that the advice we all want to know when we look to someone who we consider a success? We want insight on how they got where they are today and if there are any ways we can succeed faster, easier or less painfully.

It reminds me of the song "Ooh La La" by the Faces. The chorus says, "I wish that I knew what I know now / When I was younger."

That song, circa 1973, is not even remotely about business. (In case you're unfamiliar, it details a grandfather's advice about women to his grandson.) But every time I hear it, it reminds me of the readers of *Landscape Management* and how many people's questions are similar. "What mistakes am I making that I could be avoiding? Am I doing things right? Should I be doing something differently? What do others know that I don't know?"

Those kinds of questions are why we decided to formulate the coverage for our 2014 *LM*150 list of the industry's largest companies around a "Lessons learned" theme.

So, as we collected data for this year's report (starting after page 20), we asked the leaders of *LM*150 companies, "What would you have done differently *then*, knowing what you know *now*?"

We received many great responses, which we share with you in the pages of the *LM*150 supplement. There's guidance about carving out a niche and acting smaller than you are (see page S15). There's an item on the importance of consistent marketing and building a strong brand (S17). There are powerful stories about the need to delegate and set up processes (S14 and S16) and much more.

But a few folks, like NaturaLawn of America's President Phil Catron, surprised us by saying they wouldn't change a thing.

"There's a purpose for having a learning curve and growing from the decisions you make over the years," Catron says.

It may sound like he's avoiding the question, trying to get off the hook, like the grandfather at the end of "Ooh La La" who says, "Poor young grandson, there's nothing I can say / You'll have to learn, just like me / And that's the hardest way."

We disagree with the grandfather. We believe you *can* learn from others' stories. (And don't worry, we got Catron to share some sage advice.) The tips you take in from other companies' tales might not be shortcuts to success, but at least they can be guideposts along the way.

We hope there's at least one lesson you can learn here to improve yourself or your company. Or maybe you have another one to offer? Email me at mpalmieri@northcoastmedia.net and we'll find a way to share yours, too.

NEWS+VIEWS

GREEN INDUSTRY **EVENTS**, **TRENDS** AND **TIPS**

Washington firm begs for workers

BY **SARAH PFLEDDERER**

Lance Forsee might be the first panhandler to bum a resume off a passerby instead of a buck.

As a new employee recruitment technique, the president of Colonial Lawn & Garden took to the streets begging for folks to apply to job openings at the Yakima, Wash.-based company. He carried a cardboard sign and all.

A little more than a week later, a stack of 200 completed job applications sat in his office.

"It's been unbelievable," Forsee says. "We were just trying to stir up interest and get people in the door. Where were these 200 people before this campaign?"

Landscape contractor Lance Forsee netted 200 job applications with his unconventional recruiting tactic.

Desperate times call for desperate measures

Fed up with failed attempts to attract candidates through traditional means, such as classified ads, job fairs and a few social media posts, Forsee grabbed a cardboard box out of his garage and had an office administrator write a message on it. "Desperate business owner will give $ + benefits to outstanding workers! Every employee helps! God bless," it said.

He pulled on an old business suit, and with cardboard sign in hand, strutted down the sidewalk to an intersection in town where an employee snapped a few photos and posted them to Facebook May 7. The whole ordeal took about 30 minutes.

He went out two more days—once for an hour and then for an hour and a half—and each time Forsee had a few flyers in hand with the job descriptions and his business card. He'd direct passersby to the office to fill out applications, or some people handed him their resumes on the spot.

By that time his efforts had "gone viral." ABC News caught on as well as a local news station, which deemed his tactic "reverse panhandling."

"Ninety nine percent of people get it," Forsee says. "When I first went out there standing on the street corner with my sign, I saw through the eyes of somebody on the other side of the cardboard. I felt like I was that person."

The perspective

He had six job openings paying $10 to $12 per hour, depending on experience. Plus, he offers health insurance, paid holidays and paid vacation.

"The folks we have are great," says Forsee of his 25 employees. "We just need more of us. We're trying to grow, not just survive."

A 29-year-old company, Colonial Lawn & Garden specializes in maintenance and lawn care for residential clients. It has an annual revenue of more than $2 million.

Forsee's struggle has been getting people to apply for his company's jobs, primarily the 20- to 30-year-old demographic. He speculates the younger group is more attracted to technology-driven fields and "shying away from the getting-your-hands-dirty type."

Also, hiring practices have gotten stiffer than when he started out at age 19. Colonial Lawn & Garden requires employees to hold a valid driver's license and be a legal citizen. It also conducts random drug screenings.

Hitting the streets has paid off in at least one hire—for a clerical position—with several more expected this month.

Forsee says many candidates from the campaign were outside of the Green Industry. The clerical hire is one example.

"She would not have been likely to consider my company or industry otherwise," he says. "We used to hire for the skill. Now we hire for the person, not someone who has experience. We're looking for quality people with work ethic. They can learn the skills necessary to be successful in the Green Industry."

The panhandling ploy has offered a solution to the hiring obstacle, Forsee says, and added he likely will do it again.

"It's one of those things that could become cliché, the 15 minutes of fame thing," Forsee says. "I don't want to make it cliché, but why not? I would encourage somebody in another community to try it. See what will happen."

PHOTO: COLONIAL LAWN & GARDEN

BRUCE WILSON | The author, of the Wilson-Oyler Group, is a 30-year industry veteran. Reach him at bwilson@wilson-oyler.com.

Merger anxiety

The Brickman Group/ValleyCrest Landscape Cos. merger is on everyone's mind. Is this a game changer, I'm asked? Or, as in the past with LandCare USA and ServiceMaster, will it be a mess? One thing is certain: What this represents as a potential industry pivot point has been a long time coming.

Since the high level of merger and acquisition (M&A) activity in the late '90s, the Green Industry has experienced gradual but fundamental changes. The last 15 years have seen a new type of leader and owner. Instead of "grown-up gardeners" (as ValleyCrest's late founder Burton Sperber called horticulturists who moved into management), the people running many landscape companies today entered the industry from various paths. Some come from business schools, management consulting firms and from other businesses.

Other segments related to ours, including our customers and vendors, are complex institutions with big picture world views. Being on Wall Street's radar is good for us and it will up our game.

The upside and downside

The outlook is positive if landscape CEOs are thinking of an exit strategy within the next three to five years. If you're a middle-market business owner, if you've spent years building your business and are at a crossroads or if you're raising capital, this move could have an upside.

It also will change the way the industry hires by reinvigorating, if not redefining, recruiting and staffing strategies. Companies will look at potential new hires from management disciplines and other areas of study (marketing, finance, urban development and environmental science), in addition to the traditional hort and ag route that always will be the foundation of our operational expertise. Plus, college career counselors will take landscape contracting seriously as a career.

On the downside, the merger limits the number of buyers for companies looking to sell. There no longer will be two big players competing for acquisition targets, which may hurt owners looking to exit soon.

It also creates an absence of horticultural knowledge at the top. Investment companies are running ValleyCrest and Brickman with a financial mindset that demands quarterly performance. Any lack of passion toward the work our companies do could be an opportunity for smaller companies with a longer-term view on plant health and environmental beauty. Clients care about service and quality and a customer-centric focus could be lost in the shuffle.

A new, larger national company pushes smaller companies to adjust the way they approach customer service, proposals, pricing and model their operational efficiencies to compete.

What you need to know

All landscape companies will need to expand their recruiting sources to include more candidates with business degrees along with hiring traditional candidates, who are in short supply anyway.

All landscape companies will have to consider some of the same metrics investment bankers watch. They'll need to make smarter purchases. Many contractors love equipment—sometimes the bigger the toy the better. Investment bankers look at the return on the investment of all capital.

All landscape companies that spend their marketing dollars in a knee-jerk manner will have to rethink their approach. Firms run by finance experts make strategic marketing investments aimed at driving profitability and sales. And they measure ROI.

All landscape companies will face increasing demands in all directions. A major shift from this merger will require companies to improve productivity, increase performance and understand where they're making their greatest profits. Some of the work companies like the least may be the most profitable, and some of the work they love the most might not be as profitable. Since service lines compete for capital to grow, moving forward, companies will have to invest in the most profitable segments.

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JEFF HARKNESS | The author is owner-manager of 3PG Consulting. Reach him at jeff@3PGconsulting.com.

Timing is everything, but be careful

Right now your phone probably is ringing with every "business broker" and "deal guy" saying they have a deal for you. Sound familiar? Are you ready to sell? The industry has been buzzing as word spread about a mega deal between ValleyCrest Landscape Cos. and the Brickman Group.

The fact is activity is picking up and so are business valuations. What information can you trust? How do you evaluate a "sale" pitch for your company?

Ask for help and, as the economy continues to improve, think about a 12- to 24- month window for planning an exit. Here are several factors to consider.

Revenue: Business mix still matters. More than 60 percent of your revenue should come from maintenance and turf care contracts. This includes enhancement sales for contract customers. Sales need to be trending up, and you should have retention better than 85 percent. It's important to be able to present department financial statements showing revenue and expenses. Depth in your sales team (i.e. salesman besides an owner) and a strong customer relationship management (CRM) system are big pluses.

Earnings: An adjusted earnings before interest, taxes, depreciation and amortization plus add-backs (EBITDA) of 15 percent or better puts you in the driver's seat. This equation is easy to define with the right guidance. It's important to understand what "add-backs" are legitimate and defendable. You must "recast" your operating profit for each fiscal year, including the most recent trailing 12 months. Your 2014 and 2015 projections must be defendable. This means don't tell me you're going from an adjusted EBITDA of 12 percent to 18 percent in one year.

Strong balance sheet: Low debt and strong working capital will enhance the amount of total purchase price you net. Capital more than a working capital requirement (5 percent to 8 percent of revenue) could be added to your purchase price. This is a highly negotiable item, and it's often where sellers leave money on the table.

Don't underestimate the negative impact of an old fleet and worn equipment. Buyers will cut some or all of a depreciation expense (add-back) if they need to make large purchases to update your fleet and equipment. You should spend a minimum of 2 percent to 3 percent of revenue on fixed assets to maintain a good fleet, etc.

Secondary markets: Small- to medium-sized markets (think: Nashville, Tenn.; Greenville, S.C.; Charlotte, N.C.; Richmond, Va.; and Cleveland) are getting interesting and could be attractive to the right buyer. Less competition from the "big boys" on labor resources, pricing and quality makes operating a branch or satellite in a smaller market more appealing. Don't discount your opportunity to get something done just because you're not in Texas, Florida or California.

Cost of procrastinating: For those of you who believe your window is three to five years until you get out, consider and calculate what you gain in dollars by operating longer. Items that may cost you purchase price dollars in a deal with bad timing include: tax increases, erosion of valuation multiples, fuel cost increases, insurance issues, a singular buyer and limited availability of labor to support growth.

Continued role of owner: Plan to sign an employment agreement for one to three years. It's important you're ready to work for the buyer. Smooth customer and employee transitions are a must and you'll be the person expected to help. This is mentally exhausting, and you'll have different opinions and philosophies. Don't underestimate the difficulty of this task. Your deal structure will be key for peace of mind.

Exiting your business is emotional and difficult. Assemble a plan that quantifies your options and takes emotion out of the equation. Now is the time to get started with a simple business valuation and net cash projection. Deal structure is vital, meaning when and how you'll get your money and with what strings. Timing is everything, as they say, but be cautious of jumping in if you don't understand the game or know your company's value equation.